

STATEMENT OF
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VETERANS OF FOREIGN WARS OF THE UNITED STATES
TO THE

SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE DEPARTMENT OF VETERANS AFFAIRS MEDICAL CARE COLLECTION
FUND

WASHINGTON, DC

SEPTEMBER 20, 2001

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

The Veterans of Foreign Wars appreciates the opportunity to submit a statement for the record on our concerns regarding the Department of Veterans Affairs (VA) Medical Care Collection Fund (MCCF). The MCCF, as we know it today, has evolved from a series of laws and policies over the last fifteen years.

In 1986, Congress provided the initial authority to the VA to seek reimbursements for medical services from private insurers who covered non-service connected veterans. Congress later expanded VA's authority, making it possible for the agency to also bill third-party insurers for medical services provided to service connected veterans who received treatment for non-service connected conditions. Subsequently, under provisions of the Balanced Budget Act of 1997, the VA was granted authority to create the MCCF

and to retain all reimbursements it received, including co-payments, and deductibles paid by some insured veterans based on a formula that takes into account household income and the veteran's ability to pay.

Since income collected through MCCF offsets or reduces VA's appropriated health care funds by an identical amount, it is therefore essential that the MCCF operate at an optimum level. All income collected through the MCCF is reprogrammed and ultimately used to provide medical care to veterans and to meet the expenses associated with collection activities.

Although the VA developed a reasonable five-year plan in 1997 that was designed to bring in 10 percent of its funding from the MCCF, this goal was not achieved. The General Accounting Office (GAO) noted in its 1999 review that VA collected \$523 million in Fiscal Year 1995 from third-party insurers. Collections continued to decline for each successive year through Fiscal Year 1999 when the agency brought in only \$388 million.

The GAO reported that several key factors played roles in hindering VA from achieving its goal. First, a significant number of older veterans reached the age of 65 and became Medicare eligible. By law, Medicare cannot pay for services provided by VA, contributing to VA's lost revenue.

Second, GAO found that more veterans were enrolling in Health Maintenance Organizations (HMOs) and other managed care plans. Based on VA's own data, General Population enrollments in HMOs increased from 25.8 to 58.8 million from December 1986 to January 1997. Because VA was not a participating managed care provider, it again suffered a loss in revenue.

Third, VA's shift in emphasis from inpatient care to less expensive outpatient care resulted in many more veterans being treated on a less-expensive outpatient basis, which also has the effect of bringing in less revenue for medical services provided.

It is the view of the VFW that given the factors cited by GAO for the decline in third party collections, VA could have done a better job of limiting those declines had the agency implemented stronger management practices.

Good management practices require being fully aware of developing trends that impact the health care industry, income streams, and making the necessary adjustments to compensate for those changes. We believe that VA could have been more proactive in identifying the significant increase in the number of veterans who became Medicare eligible along with those who opted for treatment through HMOs. The agency should have reported this potential loss of income to Congress on a timelier basis. In addition, we believe that VA could have been more proactive in identifying alternative income streams, particularly since new authority to collect payments from Medicare has been considered by Congress and subsequently denied.

The VFW believes that a major attraction for insured veterans who seek treatment through HMOs is the speed with which they are able to make an appointment and receive treatment. We feel that a substantial number of insured veterans would seek treatment with a VA facility if the time that it takes to make an appointment and receive treatment could be improved.

For example, it currently takes a veteran seeking an Agent Orange protocol examination over one year to see a doctor. Such a lengthy waiting period does not speak favorably for quality health care and is not likely to influence insured veterans, who have other options, to utilize the VA health care system.

Mr. Chairman, the VFW is particularly concerned about how VA collection activities affect insured veterans and those subject to co-payments.

Currently, the VFW tracks the concerns of veterans in 110 issue areas through our Tactical Assessment Center (TAC) in Washington, DC. With the cooperation of VA, posters with our telephone number (1-800-839-1899) are prominently displayed in all VA medical centers and outpatient clinics. Veterans nationwide are able to contact us concerning a host of programs and services that are available to them through the VA, to discuss any problems that they may have in accessing those services, or issues relating to the quality of services received. Since inception of the TAC four years ago, we have received over 41,000 telephone calls from veterans with 1,354 of those inquiries involving co-payments.

Among the key concerns voiced by veterans is the failure of some VA medical facilities to bill the veterans' insurance company on a timely basis. Consequently, many veterans are receiving co-payment bills before their insurance company has been billed. Since the insurance company's payment normally reduces the veterans' out-of-pocket expense, the veteran is forced to pay more than he should, clearly creating an extra burden on the veterans. Further, when the insurance company makes its payment to VA, many veterans complain that they are required to wait months for the corresponding refund.

While we acknowledge that several Veterans Integrated Service Networks (VISNs) have taken positive steps to correct the problem—such as extending the veterans billing hold period to 120 days—we feel that this alone will not solve the problem. It is our view that additional VA staffing and training is also needed to meet the present demand.

An additional contributing factor to the MCCF billing problem is that the coding of patient medical records for billing purposes is backlogged throughout the entire health care system. These codes inform the insurance companies what procedures were performed and the problems diagnosed so the insurance companies can provide the appropriate professional charges on the patient's bill. Since these codes are not being provided in a timely manner, the billing system lags behind. Until additional staff is trained and more coders are certified, the system will continue to be backlogged.

The VFW has also observed problems with Accounts Receivable collections. There are millions of dollars that have been billed, but not yet received. At a recent visit to one VA

facility in Lebanon, Pennsylvania, a VFW representative observed that there were over 6,500 unbilled issues totaling over \$5 million at this one facility alone. It is our view that VA must provide better employee training on billing issues and on how to be more assertive when seeking payment from insurers.

Mr. Chairman, this concludes our statement for the record and the VFW would like to thank the Committee for holding a hearing on this most important issue.